

**Richard H. Walker**  
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January 29, 2008

Mr. Gary C. Dunton  
Chief Executive Officer and President  
MBIA Inc.  
113 King Street  
Armonk, NY 10504

Dear Gary:

I have concluded that I should resign from MBIA's Board. I do so with great regret and only after very careful consideration of the interests of both MBIA and Deutsche Bank.

When I joined MBIA's Board in 2006, existing business relationships between MBIA and Deutsche Bank provided no basis to believe that I would be unable to give both institutions my full attention and undivided loyalty. Given the events of the past week, however, I am now in a position where I can no longer be confident that continuing to act on behalf of both institutions will not lead to the possibility of an appearance that I may have reason to favor one over the other on a matter of great importance to both. In these circumstances, my ability to continue to act on behalf of either institution may be constrained. Given the importance of restoring credibility in the marketplace, I would not want my role to become a distraction to ongoing efforts to achieve this goal.

I am proud to have been associated with MBIA, and I would have liked to continue serving on MBIA's Board. I leave the Board with great affection for all my fellow directors and with appreciation for their wisdom and dedication. I would also be remiss if I did not applaud the exceptional MBIA staff. I am confident that this top-flight staff, with the Board's support, will guide MBIA to future successes.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard H. Walker", written in a cursive, flowing style.

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Richard H. Walker

cc: Members of the Board of Directors

"Kohlenberg, Kerstin" <Kerstin.Kohlenbera@zeit.de> 

May 13, 2009 2:03 PM

To: DEEPAK

AW: Links to Articles

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Hi Deepak,

oh yes, I read them and after that went to your scribt-page and read everything that is there.

What you discovered at Deutsche Bank in regards to almost 100percent loans and the connection to bonuses is exactly what apparently happened at Hypo Real Estate (only that they offered 160 percent commercial real estate loans which in German is actually against the law. I am researching that story right now) so I am a little familiar with the topic. I just did a story about Merkel and her advisers and how badly their bank-overview functions. (<http://www.zeit.de/2009/15/DOS-Kanzleramt>)

I believe what you discovered in a heartbeat. I think your demands for better risk management and a different incentive structure need more audience - and connected with that very case that you are presenting, it would make a big, big story. I write 8000 word features (kind of like a New York times Magazine Story) and I would very much write about you and the case you are making. There are a lot of people out there that demand change, but there is you who can show how rotten the system still is, and how the managers say one thing to the media and something else to people like you.

The fact that your letter was ccd to Angela Merkel makes it even more interesting, because I could confront her with it, and ask about her real interests in changing the system ( like she said on the G20 summit)

So any clue when you will be back in New York?

Kerstin

-----Ursprüngliche Nachricht-----

Von: DEEPAK MOORJAN

Gesendet: Mi 13.05.2009 18:50

An: Kohlenberg, Kerstin

Betreff: Links to Articles

Hi Kerstin,

Have you read these articles? If so, I'd welcome your thoughts.

A.

B.

Deepak

On May 14, 2009, at 12:57 AM, Kohlenberg wrote:

Deepak,

That's really unfortunate. When so you come back to the States?

Kerstin

Am 13.05.2009 17:51 Uhr schrieb "DEEPAK MOORJANI" unter

Hi Kerstin,

Unfortunately, I am stuck in Asia. Hearings are discontinuous, and I'm not sure when the next hearing will be. The April hearing was public, but most are closed hearings (including this Friday's hearing).

I'll recommend that we "meet" via videoconference. It's the next-best alternative and better than a phone call. Maybe even this weekend.

Thanks,  
Deepak

On May 14, 2009, at 12:10 AM, Kohlenberg wrote:

Hi Deepak,

Thanks again. Just two quick questions in order to plan my trip next

②

Deepak Moorjani  
02/08/2007 03:09 PM

To: Michael Cohrs/DMGIB/DMG UK/DeuBa@DBEMEA  
cc:  
Subject: Via Jun

Hi Michael,

Yes, I was. Bonus day turned into a bigger distraction than imagined. Apologies for the delay.

I've convinced the sponsor of a large JREIT to go private in an MBO transaction. It's fairly large transaction (\$1.7-1.8 billion), and if necessary, I would like to get your advice if we hit any major hiccups. Currently, we do not have any major issues, but I wanted to introduce myself well in advance in the event that I need some advice.

Thank you.

Deepak Moorjani  
Deutsche Securities Inc.

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Michael Cohrs/DMGIB/DMG UK/DeuBa@DBEMEA

①

Michael Cohrs/DMGIB/DMG  
UK/DeuBa@DBEMEA  
02/05/2007 10:54 PM

To Deepak Moorjani/db/dbcom@DBAPAC

cc

Subject

I think you were trying to reach me--how can I help?



satyagraha  
May 16, 2008

**PERSONAL AND CONFIDENTIAL**

Mr. David Hatt  
Deutsche Bank Group  
Sanno Park Tower, 2-11-1 Nagatacho  
Chiyoda-ku, Tokyo 100-6171

Dear Mr. Hatt,

I deliver this 就労請求 as my right and obligation to demand work under Japanese law.

This letter also represents my continuing attempt to improve the inadequate corporate governance structures and lax internal controls within Deutsche Bank. These issues have been publicly manifested by risk management failures in at least two respects: (i) credit risk failures and (ii) regulatory risk failures.

*(Note: "In Japan, you cannot actually be dismissed unless you agree that you are dismissed. If you are unfairly dismissed and want to legally challenge the dismissal, you must submit to your employer a refusal of the dismissal and demand to know why you are being dismissed in writing by the next day (e.g., send a fax or email the day you are illegally dismissed). Thereafter, continue to report to work asking for your job back. This is called shuro seikyu (reporting to work) and is a seriously respected aspect of Japanese culture.")*

Background

As you may know, I have an investment management background with more than ten years of private equity experience in the US. In this role, I have been responsible for overseeing corporate governance issues for a number of portfolio companies, with a particular focus on aligning incentives between management teams and investors. I raised explicit concerns conveyed in an April 12, 2007 letter to Michael Cohrs which also stated, "I have witnessed violations of Japanese securities laws. These violations are numerous and willful, and these violations may have triggered criminal liability." In part, this conclusion was based on a presentation by our legal department entitled, "Financial Instruments & Exchange Law ("FIEL"), March 16, 2007 Version." In this document, we were advised that criminal penalties were possible based on violations including false statements in internal control reports and market price manipulation.

My letter to Michael Cohrs was intended to be *personal and confidential* based on our prior correspondence and our numerous mutual friends and former colleagues (John Sheldon, Steve Bannon, Scot Vorse, Matt Czajkowski and Jun Makihara). According to public reports, you joined Deutsche Bank on May 7, 2007 as "Regional CEO and Chief Country Officer for Deutsche Bank Group in Japan, responsible for coordinating the Group's business activities." These reports indicate that you replaced John T. Macfarlane who resigned as President and CEO in December 2006.

You and your designees responded with an explicit retaliatory campaign based on allegations of non-performance; however, **there is no record of non-performance allegations prior to my letter to Michael Cohrs.** Despite my legal representation, you and your designees issued a termination notice on September 5, 2007 which has been rejected. Retaliation would be illegal under Japanese law, and any retaliation may demonstrate a knowing attempt to conceal violations of law.

就労請求



I have not resigned despite your attempts to force my resignation, and I remain ready and available to return to work. As previously disclosed, I am an openly-declared union member who began a collective bargaining process in order to (i) reinstate my employment and (ii) discuss the inadequate governance structures and lax internal controls at Deutsche Bank. Neither you nor Michael Cohrs participated directly in the collective bargaining process. With the assistance of outside counsel, we have filed a complaint in Tokyo District Court for my **reinstatement**; however, you did not appear for our first hearing on March 21, 2008.

### Solutions

Private equity provides a broad solution to our moral hazard problem. Simply, we should purchase the investment banking business in a management buyout. This would solve the principal-agent problem, and shareholders who prefer stable earnings would no longer have exposure to the highly-variable earnings of the investment banking division. Of course, we should structure a transaction that would provide an equity election option for shareholders up to a certain level.

Our growing losses will likely raise the ire of some of my fellow shareholders; if we fail to act proactively, shareholders may seek to implement a stronger system of checks-and-balances. At UBS, activists are agitating for change, and “[T]hey [Arnold et al.] bring up a number of good points, especially pertaining to corporate governance. **You can make the argument that inbreeding and the lack of oversight and clear independence, may, in part, have led to the current crisis.**” At DB, we have announced more than \$7 billion of write-downs, and our financial performance continues to decline. Recent reports indicate we announced our first quarterly loss in five years, as “[R]evenue at the Deutsche’s investment banking unit tumbled to 880 million euros in the first quarter from 6.1 billion a year ago.” Additionally, the press has announced multiple sales of leveraged loans portfolios at face value; however, we are reported to have lent the buyers \$3 to \$4 - *at below-market rates* - for every \$1 credit. These sales enable us to avoid additional write-downs, but these sales may fail to remove much of the credit risk.

I continue to highlight our moral hazard problem at Deutsche Bank, and I have made various corporate governance suggestions relating to our (i) lack of transparency (ii) asymmetric incentives and (iii) insufficiently independent supervisory board. Recently, the Nikkei has reported that **“With the potentially far-reaching impact on the market, authorities are considering recommending administrative action against the brokerage [Deutsche Securities Inc.] under the Financial Instruments and Exchange Law.”** Bloomberg reports that “The securities watchdog started an investigation of Deutsche on Oct. 29, and the probe is not yet complete, commission spokesman Mitsuru Yoshimura said by phone in Tokyo today, declining to give further details.”

My April 12, 2007 letter to Michael Cohrs stated, “The violations that have been committed cannot be undone; however, DB should implement changes to remedy the situation . . . Given this, I would impose appropriate penalties for the violations that have occurred and begin an “open-door” policy with the FSA as a way to engender goodwill.” I offer this same advice to you. **Please note that an administrative action or a business improvement order by the FSA will likely have an adverse impact on our fiscal 2008 financial results.** For instance, the SESC situation may have been a factor in our non-participation in the recent 116.5 billion yen (\$1.1 billion) underwriting of mortgage-backed securities by Japan Housing Finance Agency.



Summary

**Executive compensation** is becoming an issue for shareholders, and I believe that management should take responsibility for our credit risk failures and regulatory risk failures. *I ask you to demonstrate leadership by returning your fiscal 2007 compensation to Deutsche Bank.* John Mack provides an example. In a statement made in December 2007, he said, "Ultimately, accountability for our results rests with me, and I believe in pay for performance, so I've told our compensation committee that I will not accept a bonus for 2007." He later stated that "it sends the right message that I am responsible."

Please direct your written response to the issues contained herein to Yasushi Higashizawa of Kasumigaseki Sogo Law Offices at your earliest convenience. As a firm, we need to raise the corporate governance dialogue by dealing with the issues of structure and compensation. **Please join me in this conversation. Together, we can make a difference.**

Sincerely,

*Deepak Moorjani*

東京都千代田区永田町2丁目1番1号

cc: Dr. Hugo Banzinger, Chief Risk Officer, Deutsche Bank AG  
Mr. Henri de Castries, Chief Executive Officer, AXA, SA  
Mr. Marcel Rohner, Chief Executive Officer, UBS AG  
Mr. Kunihiro Shimazaki, Managing Director, Barclays Capital Japan Ltd.  
Mr. John Varley, Chief Executive Officer, Barclays PLC

②

Daiki Kajino/db/dbcom  
2007/05/09 19:19

To Tomohiko Kimura/Tokyo/DBJapan/DeuBa@DBAPAC

cc

bcc

Subject Fw: Staff - Privileged & Confidential

Kimura-san

As we discussed in this morning, I explained the current situation to Murakami-san in HR. After that, I arranged conference call with Sunil Madan and it is already fixed on tomorrow at 17:00 (Tokyo Time).

Murakami-san and I will have a conference call with him and ask him about our concerns. If you need to join it, please let me know.

As to investigation of Frank's e-mail for Pipeline issue, I will start it as soon as I obtain Mitch's approval.

Regards,

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆  
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----- Forwarded by Daiki Kajino/db/dbcom on 2007/05/09 19:13 -----

①

Mark  
Grolman/Sydney/DBAustralia  
/DeuBa@DBAPAC  
2007/05/09 19:09

To "Dick Walker" <richard.h.walker@db.com>,  
janice.reznick@db.com, rachel.blanshard@db.com,  
jiana.leung@db.com, "Kiyoshi Murakami"  
<kiyoshi.murakami@db.com>, "Andrew Hume"  
<andrew.hume@db.com>, "Daiki Kajino" <daiki.kajino@db.com>,  
"Mr. Tomohiko (Tom) Kimura" <tomohiko.kimura@db.com>

cc

Subject Staff - Privileged & Confidential

PRIVILEGED & CONFIDENTIAL

Below are draft notes of the interview I had with Frank Forelle yesterday.

NEXT STEPS

I suggest for your consideration that the next steps should be:

- (a) we interview Sunil Madan. Tom Kimura has agreed to do that by telephone as soon as possible this week;
- (b) when Deepak Moorjani returns to Tokyo from the US next week, we press him again to produce all evidence he has of any alleged violations or wrongdoing. In the two weeks since he was interviewed he has not produced any evidence;
- (c) agree a letter to Mr Moorjani in response to his letter. I suggest that this letter be signed by David Hatt as President and CEO of DSI (the employer of Mr Moorjani). David Hatt has been briefed on this matter. I will draft the response letter for your review. Once agreed, that letter should be delivered to Mr Moorjani.

I also propose giving the draft notes of meeting to Frank Forelle to check for accuracy.

April 30, 2008

## Deutsche Sec May Take Lumps For Sloppy Asset Value Calculations

TOKYO (Nikkei)--Deutsche Securities Inc. is suspected of using sloppy, inconsistent methods in computing the fair value of asset-backed securities sold to institutional investors, The Nikkei learned Tuesday.

With the potentially far-reaching impact on the market, authorities are considering recommending administrative action against the brokerage under the Financial Instruments and Exchange Law.

The irregularities were detected through Securities and Exchange Surveillance Commission inspections that began last November. According to the SESC's findings, the brokerage is suspected of presenting different market prices for the same securitized product depending on the client, in addition to showing multiple market prices for a single securitized product and having the investor choose from among them.

Deutsche Securities is also believed to have used the wrong dates in calculating market prices and to have erred when computing changes in such prices, among other missteps.

The SESC is taking the situation seriously because the market prices that brokerages give for securitized products are used as reference prices, as recognized under accounting rules, for businesses to assess the value of their securities holdings and to book valuation gains and losses. Should there be a problem in how these reference prices were calculated, this would impact not only the earnings of companies that bought these securitized products, but also ordinary investors that invested in these businesses.

When the Financial Instruments and Exchange Law went into effect last September, it included a provision giving the Financial Services Agency the power to issue business improvement orders in the interest of protecting investors even if no illegal acts have been committed. The SESC is likely to decide that this new rule should be applied in the current case.

But the SESC itself lacks the authority to take punitive action. It can only make a recommendation to the FSA, and the two organizations are now discussing the matter.

Securitized products are backed by such assets as loan claims and real estate. In some cases, those products are divided up and rebundled as separate products. Many financial institutions have sustained huge losses on these complex products, including collateralized debt obligations. The products in question apparently include such complex securitized vehicles.

(The Nikkei Wednesday morning edition)





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## Japan watchdog may seek penalty for Deutsche -media

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Tue Apr 29, 2008 11:49pm BST

TOKYO, April 30 (Reuters) - Japan's securities watchdog is considering recommending that Deutsche Securities be punished for carelessly and inconsistently calculating the value of asset-backed securities, the Nikkei business daily reported on Wednesday.

The Securities and Exchange Surveillance Commission (SESC) suspected Deutsche of using different market prices for the same securitised product depending on the client and of presenting multiple prices for institutional investors to choose from, the paper said.

Deutsche Securities, a brokerage unit of Deutsche Bank (DBKGn.DE: [Quote](#), [Profile](#), [Research](#)), may have also used wrong dates to computing market values and made mistakes when calculating price changes, the paper added.

Officials at the SESC and Deutsche Securities were not immediately available for comments.

Japan's securities commission conducts investigations but cannot issue penalties, which come from the Financial Services Agency. (Reporting by Sachi Izumi; Editing by Rodney Joyce)

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## Deutsche May Be Penalized for Irregularities, Nikkei Reports

By Finbarr Flynn

April 30 (Bloomberg) -- **Deutsche Bank AG**'s investment banking unit in Japan may be penalized by the nation's financial regulator for inconsistent methods in valuing asset-backed securities sold to investors, the Nikkei newspaper said.

**Deutsche Securities Inc.** is suspected of using the wrong dates in computing the prices for securitized products, including subprime-linked investments, and for miscalculating price changes, the Nikkei said, citing an investigation by Japan's Securities and Exchange Surveillance Commission.

The securities agency is considering recommending action against Deutsche to Japan's Financial Services Agency, which can issue a business improvement order, the newspaper said.

The securities watchdog started an investigation of Deutsche on Oct. 29, and the probe is not yet complete, commission spokesman Mitsuru Yoshimura said by phone in Tokyo today, declining to give further details.

**Aston Bridgman**, a spokesman for Deutsche in Tokyo, declined to comment.

To contact the reporters on this story: **Finbarr Flynn** in Tokyo at [fflynn3@bloomberg.net](mailto:fflynn3@bloomberg.net)

*Last Updated: April 29, 2008 22:49 EDT*



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(Provisional Translation)

May 20, 2004

Financial Services Agency

The Government of Japan

## Administrative Actions on Deutsche Bank AG, Tokyo Branch

1. According to the inspection result [issued in February 2004] by the Financial Services Agency [hereinafter referred to as the "FSA"] of the Deutsche Bank AG, Tokyo Branch [hereinafter referred to as "the Branch"] and the Branch's subsequent report to the FSA in response to the FSA's Reporting Order based on Article 24 (1) of the Banking Law, it is confirmed that, as below, there exist violation of law and basic problems concerning the management's commitment and internal control with regard to compliance in the areas of operating and control of banking business.
  - [1] Although the Branch received the previous onsite inspection result from the FSA [issued in February 2000] and took corrective measures planned by the Branch itself, it is confirmed by the FSA's onsite inspection this time around that there still exist many problems on operations and internal controls [including compliance and management control issues] of which the Branch has not improved sufficiently as they were originally planned.
  - [2] In particular, as a result of improper operating control between the Branch and the Deutsche Securities Limited, Tokyo Branch [hereinafter referred to as "Securities Company"] which is a member of the Deutsche Bank Group, and also of insufficient function of firewall and internal supervision between both entities, the following violation and incident were found even after the previous onsite inspection by the FSA;
    - 1] Since August 2001, the Branch has allowed the Securities Company to practically represent the Branch for operating and executing the financial derivatives transactions with the Branch's clients while the Branch wrongly understand that the Securities Company "intermediate" transactions. Such operations controlled by the Securities Company were the violation of Article 47-2 [Article 8 before the amendment] of the Banking Law.  
When carrying out the transactions under such illegal conditions above represented by the Securities Company on behalf of the Branch, the Branch did not properly monitor and control sales activities and dealings by the Securities Company with the Branch's clients, it is confirmed that there exist many improper transactions. For example, the Branch did not sufficiently confirm the clients' intention regarding their transactions and confirmations for each transactions were not reported by the Securities Company to the Branch.
    - 2] From February 2001 to August 2003, it is found by the FSA's onsite inspection that the traders in the Securities Company traded the bonds in the Branch's banking account with the trading account which belongs to the Securities Company without authorization from the Branch, and that the Branch's internal trading control against the Securities Company was not properly performed.
  - [3] Moreover, a chief risk control manager of the control departments in the Branch holds concurrently the posts of officers for authorization of executing lending and investing transactions for "Tokumeikumiai" [a kind of limited partnership for investing securitization business] arranged by the Securities Company. A double hatted department is located in the single hatted department in the Branch and offices in the Branch carry out the part of daily operations on behalf of the Securities Company. An officer in the Branch brought out the non-public clients' information electronically at the time of his transferring to other Deutsche Bank Group company, and the Branch inappropriately controlled the information regarding clients' credits. These show that the Branch has not taken necessary measures on the issues of operating and controlling between the Branch and other group companies, even after the previous onsite inspection was held by the FSA.
  - [4] As a background of this case, it is confirmed that there were the lack of concrete measures for corrective actions as a result of the previous onsite inspection, appointments of responsible personnel for resolving each issues, and leadership for implementing concrete improvement plan in the operation and control departments in the Branch. In addition, up to the time this onsite inspection began, it is also confirmed that there was not consistency in the management's commitment for directing improvement in operations and controls in the Branch, and in regular follow-up by internal audit department for monitoring its implementation for correcting each issues as well.
2. With the findings above, the FSA today took the following administrative actions to the Branch based on Article 26 (1) of the Banking Law.
 

Business Improvement Order based on Article 26 (1) of the Banking Law

  - [1] To enhance compliance functions, the Branch should establish and strengthen the internal control system regarding legal and compliance issues with due emphasis on the following points [including the enhancement of human resources and organizational aspects];

- 1] to clarify the commitment of the management on compliance with laws and other related regulations, and to clarify who should be responsible for the proper banking business in the Branch
  - 2] to reinforce the function of the legal and compliance departments for the Branch
  - 3] to take measures to ensure that relevant laws and regulations are properly understood and followed by the management and employees
  - 4] to establish the firewalls between the Branch and other Deutsche Bank Group Companies in Japan, and to take thorough measures for proper clients' information control
  - 5] to enhance and strengthen the internal control and monitoring functions in the Branch
  - 6] to enhance and strengthen the internal audit system, and to execute the follow-up of internal audit
- [2] To review and strengthen the compliance functions for the operational control and the execution and control of trading securities under Article of 10 (2-2) and the financial derivative transactions under Article 10 (2-14) of the Banking Law and to prevent a recurrence of misconduct, the FSA ordered the Branch to establish and strengthen the operational and internal control system [including the enhancement of human resources and organizational aspects] for the above mentioned securities and derivative transactions with due emphasis on the following points;
- 1] Proper management and control of operation
  - 2] Proper provision of information and explanation to clients
  - 3] Proper management and control on the information on client's credit exposure management and condition of client's trade execution and the track record on trading in the Branch
  - 4] To clarify who, among the management and employees, should be held responsible with respect to the securities and derivative transactions
- [3] The Branch must submit the Business Improvement Plan to the FSA by June 21, 2004 and implement it promptly. The plan should follow the above-mentioned [1] to [2] and other issues and findings in the onsite inspection result by the FSA and the subsequent report from the Branch to the FSA [including points to enhance and establish management control for implementing the improvement plan steadily, and to clarify who should be responsible for its completion].
- [4] The Branch must report the progress in the implementation of the plan to the FSA on a quarterly basis until its completion.

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**Financial Services Agency, The Japanese Government**

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